



## **Zambia's Private Sector Development Reform Programme:** Objectives, action plan, priorities and implementation framework

14<sup>th</sup> July 2004

# This documents presents the Government of the Republic of Zambia's action plan for reforming and enhancing private sector development (PSD)

## Background

Despite the positive results of the GRZ's new approach to economic management, the role of the private sector in economic growth must be enhanced by creating the right enabling environment

## PSD reform objective

The purpose of the reform programme is to lay the foundation for faster, sustained and private-sector led economic growth by implementing a comprehensive action plan for enhancing the business and investment climate, and restoring investor confidence

## PSD reform process

The PSD Reform Action Plan was developed using a highly-consultative process that took into account an extensive review of previous studies and recommendations relating to PSD

## The PSD Reform Action Plan

The PSD Reform Action Plan provides the blueprint for creating the enabling environment for a vibrant private sector and accelerated economic growth

## PSD reform priorities

Priorities should be placed on improving access to export markets, increasing export-oriented production, local empowerment, private investment in infrastructure, and stronger public agencies

## PSD reform implementation framework

To ensure success, implementation of the PSD Reform Action Plan should be "mainstreamed" in relevant ministries, emphasise public/private dialogue, and be monitored at a high level

## PSD reform preconditions

The preconditions for effective PSD reforms are a shared vision, consistent public pronouncements on PSD, and commitment to implementing the PSD Reform Action Plan

## Background

**Since the late 1990s, GRZ has been implementing a new approach to economic management, emphasising trade liberalization, privatisation and better governance**

- The economy has responded favourably to the approach, producing four consecutive years of growth with real GDP rising an average of 3.7% per annum between 1999 and 2002
  - However, private investment remained at less than 6% of GDP during this period, which is insufficient to ensure continued long-term growth let alone to maintain capital stock
  - Furthermore, with a population growing at an average of 3%, current growth rates are not enough to seriously tackle poverty and improve the standard of living of all Zambians
  - The role of the private sector in driving economic growth and reducing poverty must now, more than ever, be recognised and enhanced by creating the right enabling environment
  - Therefore, a key challenge facing GRZ is to provide an improved climate to accelerate private sector development, attract more investment and diversify sources of growth
- ➔ The first step toward enhancing private sector development is to make a genuine commitment to PSD reform – this first step has been taken with the design of the PSD reform programme

## The private sector development reform programme is anchored in the Poverty Reduction Strategy Paper (PRSP)

### PRSP objectives

- “Reduce poverty through sustained economic growth, employment creation, and increased tax revenues by creating the enabling environment for private-sector driven economic growth
- Achieve broad-based economic growth, thereby promoting income-generation, linkages and equity at all levels
- Attain medium-term growth of 5-8%, and reduce percentage of the population living below the poverty line from 78% in 2002 to 65% by 2004
- Ensure food security”

### PRSP strategic priorities

- ➔ **“Macroeconomic performance:** Stabilise macroeconomic environment and improve public sector management
- ➔ **Private-sector led growth:** Attract inward investment and increase non-traditional exports
- ➔ **Governance:** Decentralise, manage resources with prudence, and improve security and justice
- ➔ **Infrastructure:** Improve transport and communication, promote private large-scale investment in the energy sector, and expand provision of water supply and sanitation services including solid waste management
- ➔ **Health and education:** Improve education and training at all levels, and enhance health and nutrition services
- ➔ **Cross-cutting:** Improve environmental policy and management, expand HIV/AIDS prevention/treatment, enhance access by women to resources and increase participation in decision-making”

**The PSD reform programme also mirrors the World Bank's Country Assistance Strategy (CAS) for Zambia, which itself was driven by the PRSP**

**CAS Strategic Priority #1**

- “Sustained economic growth anchored in a diversified and export-oriented economy”

**Enabling conditions**

- ➔ “Create a favourable investment climate
- ➔ Promote economic diversification and increase exports
- ➔ Ensure reliable access to power, telecommunications and water supply and sanitation services
- ➔ Enhance accessibility and deepening of financial markets
- ➔ Arrest environmental degradation”

## PSD reform objectives

In line with the PRSP and CAS objectives, the PSD reform programme seeks to lay the foundation for faster, sustained and private-sector led economic growth

### Reform Areas

### Reform Objectives

Policy environment & institutions

1. Create the enabling macroeconomic environment, strengthen public agencies that support PSD and enhance public/private dialogue

Regulations & laws

2. Improve regulatory frameworks and investment code to foster PSD

Infrastructure

3. Enhance the infrastructural platform for PSD by encouraging private investment in infrastructure (PPI)

Business facilitation & economic diversification

4. Remove administrative barriers to business entry and operation, and facilitate development of high-growth sectors

Trade expansion

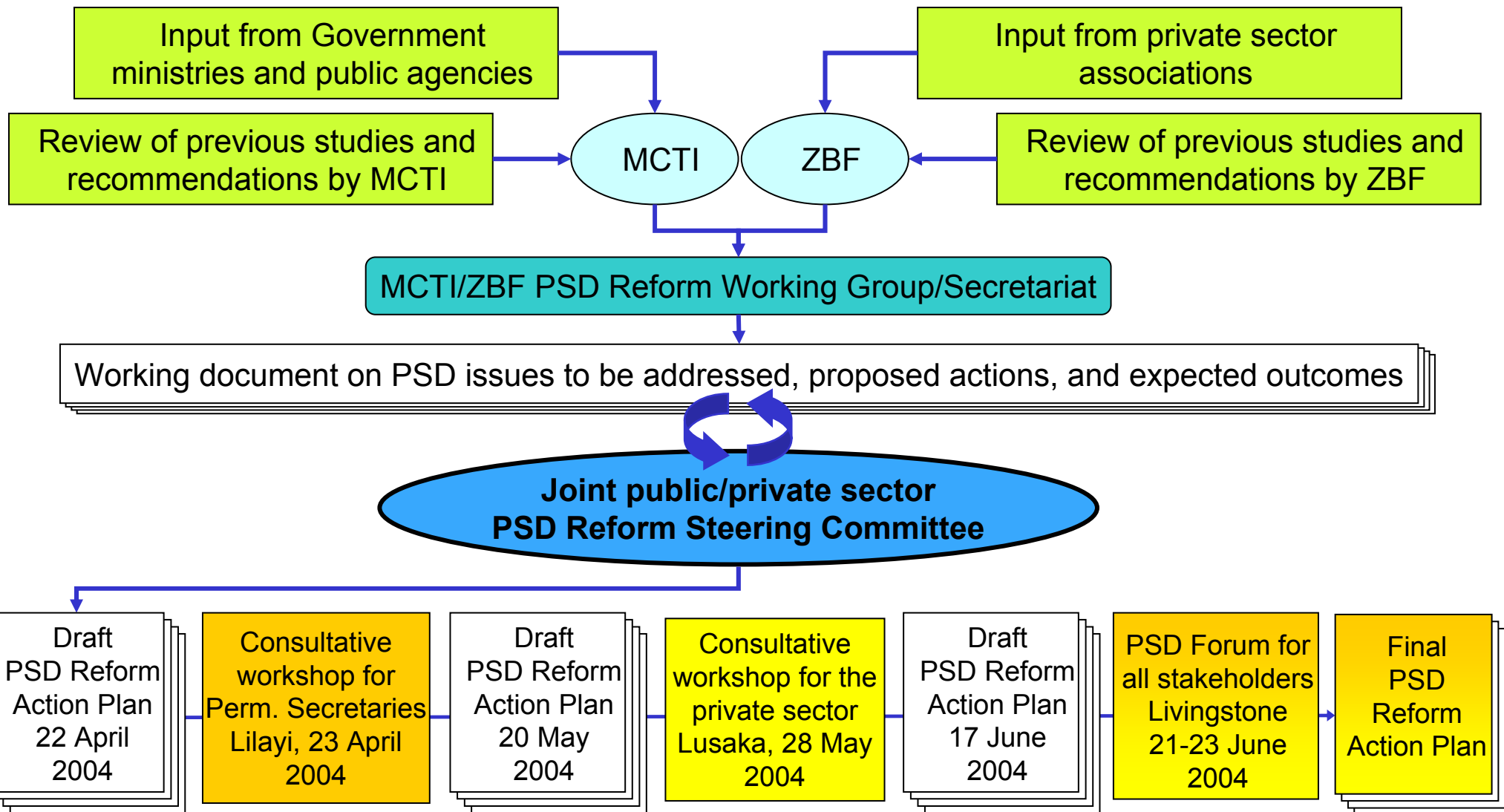
5. Create greater opportunities for access to regional and international markets by Zambian businesses

Local empowerment

6. Unlock the growth potential of the MSME sector through business development support and empowerment initiatives

## PSD reform process

To achieve the reform objectives, an action plan was prepared using a highly-consultative process and taking into account previous studies/recommendations



## The PSD Reform Action Plan

**The PSD Reform Action Plan provides the blueprint for poverty reduction through accelerated private-sector led economic growth**

### **PSD Reform Action Plan:**

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## The PSD Reform Action Plan continued

### 1. Create the enabling macroeconomic environment, strengthen the public agencies that support PSD and enhance public/private dialogue

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Macroeconomic policy uncertainty	<ul style="list-style-type: none"> <li>• Reaffirm commitment by GRZ to market-based policies</li> <li>• Ensure operational independence of BOZ by implementation of the BOZ Act amended to incorporate best practices</li> <li>• Ensure delineation of responsibilities between BOZ and MoFNP: exchange rates, interest rates, and monetary policy should be left to BOZ, while fiscal performance is left to MoFNP as per draft FSDP submitted to Cabinet</li> <li>• Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations</li> </ul>	• MoFNP/Parliament	• Predictable macroeconomic environment	<ul style="list-style-type: none"> <li>• Dec 2004</li> <li>• Dec 2004</li> <li>• Dec 2004</li> <li>• Dec 2004</li> </ul>
2. High cost of capital / private sector crowded out of debt market by Government	• Continue to reduce Govt. borrowing as provided for in the medium-term expenditure framework	• MoFNP	• Significant reduction in interest rates/more credit available to private sector	• Dec 2006
3. Difficulty for SMEs to access finance	• Ensure implementation of the FSDP by appointing a committee to oversee its implementation	• BOZ	• Wider access to capital	• On-going
4. Lack of credit culture	• Establish the Credit Reference Bureau as called for in the FSDP	• BOZ	• Enhanced credit culture	• On-going
5. Long delays in dispute settlements	• Enforce Small Claims Court Act	• Attorney General's Chambers	• Lower credit risk	• Immediate

## The PSD Reform Action Plan continued

### 1. Create the enabling macroeconomic environment, strengthen the public agencies that support PSD and enhance public/private dialogue continued

Issue	Action	Lead resp.	Outcome/milestone	Timing
6. Corruption	•Ensure that the “Ministerial Code of Conduct” is observed	•Parliament	•Lower corruption index	•Dec 2005
7. Weak corporate governance	•Ensure the development and implementation of good corporate governance as per FSDP	•MCTI	•Lower risk premiums on Zambian businesses	•July 2005
8. Weakness of public agencies serving the private sector	•Create single Zambia Development Agency (e.g., rationalize and enhance effectiveness of ZIC, EBZ, ZPA, ZEPZA)	•MCTI	•One-stop-shop with more client-focused services	•July 2005
9. Bureaucratic procedures of public agencies	•Implement recommendations of the FIAS report (Admin Barriers) and define time limits for delivery of services	•MCTI	•Improved service provision to the private sector	•Dec 2005
10. Need to further enhance public/private dialogue	•Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue on PSD	•MCTI	•Joint ownership private-sector oriented economic development initiatives	•July 2005
11. Lack of HIV/AIDS workplace policy guidelines for the public/private sector	•Involve and encourage employees/ employers/ trade unions/ work-related institutions to initiate/implement HIV/AIDS prevention, treatment and care programs	•NAC	•Reduction in HIV/AIDS, STI, TB transmissions, reduced absenteeism, and increased productivity	•Jan 2005

### 2. Improve regulatory frameworks and revise investment code to foster PSD

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Lack of incentives to support economic diversification	•Provide incentives for accelerating investment in priority economic sectors	•MoFNP / MCTI	•Significant new investment high-growth sectors	•Dec 2005
2. Contradictions between Investment Act and related legislation	•Form review committee (including private sector) and review and amend all investment-related legislation to ensure alignment with revised Investment Act	•Attorney General's Chambers/MCTI	•Fully harmonised investment code	•Dec 2004
3. Complex and bureaucratic tax administration system	•Form review committee (include private sector) - same committee as for issue 2 •Implement comprehensive business process redesign project	•ZRA •ZRA	•More efficient/ business-friendly tax administration  •100% adherence to performance standards	•July 2005 •July 2005
4. Cumbersome customs administration	•Analyse and simplify clearance procedures and set time-based targets			•July 2005
5. Bureaucratic immigration procedures	•Streamline procedures, and set clear approval criteria and time-based targets •Accelerate review of Immigration Act	•MHA	•Elimination of immigration "hassle factor"	•July 2005 •July 2005
6. Restrictive labour laws related to retirement and retrenchment	•Accelerate current initiatives to review Statutory Instruments 2 and 3 of 2002 (retirement and terminal clauses)	•Min. of Labour	•Increasing competitiveness through labour flexibility	•Dec 2004
7. Limited availability of land for commercial/industrial use	•Review policy and procedures relating to acquisition/lease of traditional land	•Min of Lands/ MLGH	•Enhanced ability for new businesses to find locations	•July 2005
8. Lack of serviced stands	•Facilitate private sector development of serviced stands and industrial parks •Amend Local Government Act	•Min of Lands/ MLGH	•Reduced time lag for new business operationalisation	•July 2005 •July 2005
9. Slow land development approvals	•Streamline and decentralise approval process and set time-based targets	•MLGH	•Guaranteed period for land development approval	•July 2005

### 3. Enhance the infrastructural platform for PSD by encouraging private investment in infrastructure (PPI)

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Poor quality of telecommunication services	•Accelerate revision of the Telecom Act and the licensing framework	•MCT	•Improved quality through more private sector delivery of telecom services	•July 2005
2. High cost of telecommunication	•Liberalise the international telecommunications gateway	•MCT	•Lower costs through increased competition	•Oct. 2004
3. Lack of reliable and cost effective power supply	•Monitor the commercialisation of ZESCO •Review energy policy and create more competition •Complete the power rehabilitation project	•MEWD	•Efficiency and competitiveness through active private participation	•Dec 2004 •Dec 2004 •Dec 2005
4. Lack of investment and growth in provision of water supply and sanitation services; and solid waste management	•Promote PPI arrangements for public-private and/or private sector management of water supply and sanitation services, and solid waste management •Review water and sanitation act/NWASCO •Monitor the process of strengthening the autonomy of the regulator	•MEWD/ MLGH	•Improved access to reliable water supply and sanitation services, and waste management	•On-going  •Dec 2004 •Oct 2004
5. High transport costs due to limited development of road infrastructure	•Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads	•MCT/MWS/ MLGH	•More funding channelled into road infrastructure development/ maintenance	•On-going
6. Inadequate regulatory environment to support Government's decision to encourage PPI	•Develop a PPI road map that identifies priority infrastructure sectors which lend themselves to a PPI approach, and develop an appropriate regulatory and incentives framework	•MCTI and all infrastructure ministries + MOFNP/MOJ	•Policy and regulatory framework conducive to PPI	•July 2005
7. Inadequate accommodation due to lack of investments in housing	•Introduce Municipal Housing Bonds •Provide incentives to financial institutions involved in housing development	•MLGH/ MoFNP	•Increased housing stock	•Dec 2004 •Mar 2005

#### **4.Remove administrative barriers to business entry and operation, and facilitate development of high-growth sectors (tourism, gemstones, agribusiness, manufacturing)**

<b>Issue</b>	<b>Action</b>	<b>Lead resp.</b>	<b>Outcome/milestone</b>	<b>Timing</b>
1. (a) Complex and time-consuming company registration and licensing procedures	<ul style="list-style-type: none"> <li>•Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and information provision with sanctions applied for non-delivery</li> <li>•Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time</li> <li>•Review for rationalisation relevant legislation to support the rationalised licenses</li> <li>•Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) as opposed to One-Stop Shop to facilitate investment</li> </ul>	•MCTI	<ul style="list-style-type: none"> <li>•Reduced cost of establishing and operating businesses to expedite economic growth</li> <li>•Improve efficiency , accountability and investments</li> <li>•Effective and coordinated management of investments</li> </ul>	<ul style="list-style-type: none"> <li>•July 2005</li> <li>•July 2005</li> <li>•July 2005</li> <li>•July 2005</li> </ul>
(b) Complex tourism licensing procedure	<ul style="list-style-type: none"> <li>•Rationalise and consolidate licenses required to operationalise tourism enterprises</li> </ul>	•MTENR	<ul style="list-style-type: none"> <li>•More conducive environment for investing in tourism products and services</li> </ul>	<ul style="list-style-type: none"> <li>•July 2005</li> </ul>
2. Cumbersome and costly environmental impact assessment process	<ul style="list-style-type: none"> <li>•Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (ECZ should be supportive to business)</li> </ul>	•MTENR/ECZ	<ul style="list-style-type: none"> <li>•Reduced cost of impact assessments and improved efficiency</li> <li>•One environmental permit at a reasonable cost</li> </ul>	<ul style="list-style-type: none"> <li>•July 2005</li> </ul>

**4.Remove administrative barriers to business entry and operation, and facilitate development of high-growth sectors continued**

Issue	Action	Lead resp.	Outcome/milestone	Timing
3. Growth potential of the tourism sector not fully realised	•Publicise the Tourism Policy, advance development of the Tourism Master Plan,	•MTENR	•Increased revenue generation and employment in tourism	•Dec 2005
	•Enact the Tourism Hospitality Bill and ZNTB Bill	•MTENR		•Dec 2005
	•Set up Inter-Ministerial Committee on tourism	•MTENR	•Effective platform for quick resolution of issues	•July 2005
	•Promote domestic tourism	•ZNTB	•Increased domestic tourism	•Immediate
	•Allow airline operators to lift fuel directly from Indeni / source	•MTENR	•Reduced costs of air travel and encourage more flight stops here leading to more tourists	•July 2004
	•Improve infrastructure	•MTENR and all infrastructure ministries + MOFNP	•Improved access to tourism products and lower costs	•Ongoing
	•Reclassify tourism as a non-traditional export so as to be taxed at 15%	•MTENR	•Attraction of more investors in the sector	•Dec 2004

## 4. Remove administrative barriers to business entry and operation, and facilitate development of high-growth sectors continued

Issue	Action	Lead resp.	Outcome/milestone	Timing
4. Underdeveloped traditional and non-traditional mining sector (gemstones)	• Develop strategy for expanding the industry, formalise the gemstone sector including provision of funds to small scale miners	• MMMD	• Accelerated growth of the sector through structured linkages between mining and buying/processing	• Dec 2004
	• Operationalise the gemstone exchange	• MMMD	• Formalised sector with improved marketing of and income from gemstones	• July 2005
	• Update the fiscal/regulatory regime	• MMMD	• Improved operating environment and economic contribution from the sector	• July 2005
	• Implement the Diversification Task Force recommendations on the mining sector	• MMMD		• Dec 2005
	• Resolve issues relating to development agreements	• MMMD		• Dec 2004
5. Lack of market linkages between small-scale agricultural producers and processors	• Begin implementation of the agribusiness component of the SEED programme and involve the private sector	• MACO	• Increased agricultural production and added value	• Dec 2006
	• Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards		• Export beef into the region and other markets	• Dec 2005

**4.Remove administrative barriers to business entry and operation, and facilitate development of high-growth sectors continued**

Issue	Action	Lead resp.	Outcome/milestone	Timing
6. Narrow local manufacturing base and limited technology transfer	•Proactively promote strategic investments with potential to stimulate development of local satellite manufacturing industries	•MCTI	•Widening of local manufacturing base, job creation, competitiveness, increased exports and eventually tax revenue down stream	•On-going
	•Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors			•Dec 2004
	•Revive tertiary / artisan skills training	•Ministry of Science & Technology	•Availability of skills to meet industry demand	•July 2005
7. Weak negotiating capacity on various trade and industry issues/protocols	•Provide trade negotiating skills training	•MCTI	•Improved terms of trade for Zambian industry	•On-going
	•Include private sector in negotiations			•On-going



## 5. Create greater opportunities for access to regional and international markets by Zambian businesses

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Limited access by Zambian businesses to regional/ international markets	•Develop a national export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy.	•MCTI	•Exports become an engine of economic growth & Zambian businesses increase their share of the global market	•Dec 2004 draft for discussion
	•Continue trade negotiation capacity building within Government Ministries, Missions, Business Associations and other non State actors	•MACO/MCTI		•Ongoing
	•Ensure completion of bi-lateral agreements with target neighbour markets: Congo DR, Mozambique, Angola, Tanzania	•MCTI		•July 2005
	•Export financing support – develop an export credit guarantee scheme, pre & post shipment finance facilities	•MCTI		•Dec 2004
	•Expedite trade facilitation mechanisms including removal of NTB with neighboring countries	•MCTI		•Ongoing
	•Enhance capacity of trade & investment promotion officers in missions abroad	•MCTI		•Dec 2004
	•Establishment of liaison offices to facilitate trade activities at priority border points	•EBZ		•July 2005

**5. Create greater opportunities for access to regional and international markets by  
Zambian businesses continued**

<b>Issue</b>	<b>Action</b>	<b>Lead resp.</b>	<b>Outcome/milestone</b>	<b>Timing</b>
2. Stop/start approach to EPZ legislation	• Review and update EPZ strategy and business plan and revise/finalise EPZ legislation and incentives accordingly	• MCTI	• Amendments made to EPZ Act based on sound strategic rationale	• Oct 2004
3. Lack of industrial infrastructure for export-oriented production	• Mobilise funding for development of EPZ industrial parks	• MCTI/ MoFNP	• Readily available facilities for location of EPZ activities	• Jul 2005
4. Lack of credible and internationally recognised certification standards	• Enhance capacity of Zambia Bureau of Standards in quality testing to international best practice	• MACO	• Improved quality and market acceptance of Zambian products	• Dec 2005
	• Strengthen capacity in MACO to provide SPS services for export of fresh horticultural / floriculture products, livestock and aquaculture products and enhance capacity for disease eradication/control	• MACO	• Increasing penetration of Zambian products in large markets	• July 2005

## 5. Create greater opportunities for access to regional and international markets by Zambian businesses continued

Issue	Action	Lead resp.	Outcome/milestone	Timing
5. Limited knowledge of new export-market opportunities	<ul style="list-style-type: none"> <li>•Launch awareness creation campaign on market access initiatives and of the quality standards required, e.g., COMESA, SADC, AGOA, EBA, Cotonou</li> </ul>	<ul style="list-style-type: none"> <li>•MCTI</li> </ul>	<ul style="list-style-type: none"> <li>•Expanding markets for Zambian businesses to compete in</li> <li>•Amendments made to EPZ Act based on sound strategic rationale</li> <li>•Readily available facilities for location of EPZ activities</li> <li>•Improved quality and market acceptance of Zambian products</li> <li>•Increasing penetration of Zambian products</li> </ul>	<ul style="list-style-type: none"> <li>•Ongoing</li> </ul>

## 6. Unlock the growth potential of the MSME sector through business development support and local empowerment initiatives

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Lack of preferred procurement policy for local SMEs	•Negotiate with cooperating partners for mechanisms that will favour the participation and build capacity of local firms through tendering for donor funded projects	•MCTI	•Greater opportunities for local SMEs in public procurement	•Dec 2004
	•Develop preferred procurement policy for local businesses in tendering for government contracts	•MCTI		•Dec 2004
2. Limited business development capacity of local MSMEs	•Review existing support to and develop strategy for MSMEs development	•MCTI	•Increasing firm-level competitiveness	•On-going
3. Limited migration from informal to formal sector	•Develop incentives for voluntary migration from informal to formal e.g., South African Close Corporation Model programme	•MCTI	•Greater growth prospects for micro and small enterprises	•On-going
	•Organise business clinics to create awareness of the benefits of formal sector migration such as increased recognition and acceptance by formal sector customers, and easier access to credit	•MCTI		•On-going

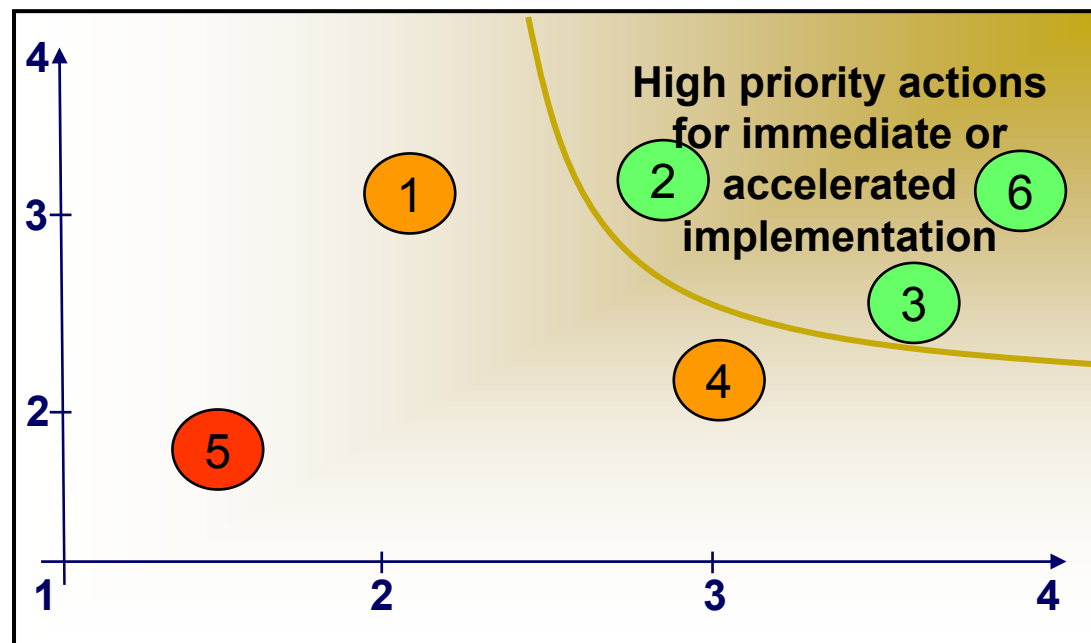
## PSD reform priorities

Priorities activities for immediate implementation were determined during the PSD Forum based on the concept of “feasibility and impact of implementation”

Issue	Action	Lead resp.	Outcome/milestone	Timing
1. Macroeconomic policy uncertainty	• Give operational independence to BOZ	• MoFNP	• Predictable environment	• Dec 2004
2. High cost of capital	• Reduce Govt. borrowing by migrating to medium-term expenditure framework	• MoFNP	• Significant reduction in interest rates	• Dec 2006
3. Difficulty for SMEs to access finance	• Implement Financial Sector Reform Programme	• BOZ	• Wider access to capital	• On-going
4. Private sector crowded out of debt market by Government	• Reduce level of Government securities offered to commercial banks	• MoFNP	• More credit available to the private sector	• Immediate
5. Lack of credit culture	• Establish credit rating agencies	• BOZ	• Enhanced credit culture	• On-going
6. Long delays in dispute settlements	• Enforce Small Claims Court Act	• Attorney General's Chambers	• Lower credit risk	• Immediate

**Feasibility of implementing the action in terms of:**

- Cost
- Complexity
- Time
- Willingness



**Impact of implementing the action on private sector development**

- Scale 1-4 (1 = low, 4 = high)

**To create the enabling environment, strengthen key public agencies, and enhance public/private dialogue eight priority actions were agreed at the PSD Forum**

1. Reaffirm commitment by GRZ to market-based policies
2. Ensure BOZ operational independence by implementation of the BOZ Act amended to incorporate best practices
3. Ensure delineation of responsibilities between BOZ and MoFNP
4. Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations
5. Continue to reduce Government borrowing as provided for in the medium-term expenditure framework
6. Ensure implementation of the FSDP by appointing a committee to oversee its implementation
7. Establish the credit reference bureau as called for in the FSDP
8. Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue on PSD

**To improve the legal and regulatory framework for PSD, it was agreed that six priority actions should be implemented immediately**

1. Provide incentives for accelerating investment in priority economic sectors
2. Form review committee (including private sector) and review contradictions between Investment Act and related legislation once draft revised Investment Act is finalised
3. Review and amend all investment-related legislation to ensure alignment with draft revised Investment Act when it is finalised
4. Streamline procedures and set clear approval criteria and time-based targets for immigration procedures
5. Accelerate review of Immigration Act
6. Accelerate current initiatives to review Statutory Instruments 2 and 3 of 2002 to address restrictive retirement and termination issues

**The eight priority actions identified to promote private investment in infrastructure will help enhance the infrastructural platform for PSD**

1. Accelerate revision of the Telecom Act and the licensing framework
2. Liberalise the international telecommunications gateway
3. Monitor the commercialisation of ZESCO
4. Review energy policy and create more competition
5. Complete the power rehabilitation project
6. Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads
7. Introduce Municipal Housing Bonds
8. Provide incentives to financial institutions involved in housing development



## **Several actions to facilitate business activities and the development of high-growth sectors were agreed**

### **Business facilitation**

1. Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and information provision with sanctions applied for non-delivery
2. Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time
3. Review for rationalisation the relevant legislation to support the rationalised licenses
4. Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) to facilitate investment
5. Rationalise and consolidate licenses required to operationalise tourism enterprises
6. Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (ECZ should be supportive to business)

### **Economic diversification: Tourism**

1. Publicise the Tourism Policy, advance development of the Tourism Master Plan
2. Enact the Tourism Hospitality Bill and ZNTB Bill
3. Set up Inter-Ministerial Committee on tourism
4. Promote domestic tourism
5. Allow airline operators to lift fuel directly from Indeni / source
6. Improve infrastructure to facilitate access to tourism products
7. Reclassify tourism as a non-traditional export so as to be taxed at 15%

## **Several actions to facilitate business activities and the development of high-growth sectors were agreed (continued)**

### **Economic diversification: Gemstones**

1. Develop strategy for expanding the industry, formalise the gemstone sector including provision of funds to small scale miners
2. Operationalise the gemstone exchange
3. Update the fiscal/regulatory regime
4. Implement the Diversification Task Force recommendations on the mining sector
5. Resolve issues relating to development agreements

### **Economic diversification: Agriculture**

1. Begin implementation of the agribusiness component of the SEED programme and involve the private sector
2. Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards

### **Economic diversification: Manufacturing**

1. Proactively promote strategic investments with potential to stimulate development of local satellite manufacturing industries
2. Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors
3. Revive tertiary / artisan skills training

**Five priorities were proposed to create greater opportunities for access to regional and international markets by **Zambian businesses****

1. Develop a national export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy
2. Enhance capacity of trade & investment promotion officers in missions abroad
3. Establishment of liaison offices to facilitate trade activities at priority border points
4. Review and update EPZ strategy and business plan and revise/finalise EPZ legislation and incentives accordingly
5. Strengthen capacity in MACO to provide SPS services for export of fresh horticultural / floriculture products, livestock and aquaculture products and enhance capacity for disease eradication/control

**A further four priorities were proposed to unlock the growth potential of the local micro, small and medium enterprise sector**

1. Negotiate with cooperating partners for mechanisms that will favour the participation and build capacity of local firms through tendering for donor funded projects
2. Develop preferred procurement policy for local businesses in tendering for government contracts
3. Review existing support to and develop strategy for MSMEs development
4. Develop incentives for voluntary migration from informal to formal e.g. South African Close Corporation Model programme

**Several of the priority activities in the PSD Reform action plan have already been initiated, but may require new/additional technical support or resources**

**Activities that have already been initiated (lead responsibility for implementation shown in parentheses)**

**Policy environment & institutions**

- Reaffirm commitment by GRZ to market-based policies (Responsibility: MoFNP/Parliament)
- Ensure BOZ operational independence by implementation of the BOZ Act amended to incorporate best practices (MoFNP/Parliament)
- Continue to reduce Government borrowing as provided for in the medium-term expenditure framework (MoFNP)

**Regulations & laws**

- Provide incentives for accelerating investment in priority economic sectors (MoFNP/MCTI)
- Accelerate current initiatives to review Statutory Instruments 2 and 3 of 2002 to address restrictive retirement and termination issues (Min. of Labour)
- Accelerate review of Immigration Act (MHA)

**Infrastructure**

- Accelerate revision of the Telecom Act and the licensing framework (MCT)
- Complete the power rehabilitation project (MEWD)

**Business facilitation & economic diversification**

***Economic diversification: Tourism***

- Publicise the Tourism Policy, advance development of the Tourism Master Plan (MTENR)
- Enact the Tourism Hospitality Bill and ZNTB Bill (MTENR)

***Economic diversification: Gemstones***

- Operationalise the gemstone exchange (MMMD)
- Implement the Diversification Task Force recommendations on the mining sector (MMMD)

***Economic diversification: Agriculture***

- Begin implementation of the agribusiness component of the SEED programme and involve the private sector (MACO)

**However, the majority of activities are new and may need technical support/ resources for detailed design and implementation**

**Proposed new activities (lead responsibility for implementation shown in parentheses)**

**Policy environment & institutions**

- Ensure delineation of responsibilities between BOZ and MoFNP (MoFNP/Parliament)
- Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations (MoFNP/Parliament)
- Ensure implementation of the FSDP by appointing a committee to oversee its implementation (BOZ)
- Establish the credit reference bureau as called for in the FSDP (BOZ)
- Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue on PSD (MCTI)

**Regulations & laws**

- Form review committee (including private sector) and review contradictions between Investment Act and related legislation once draft revised Investment Act is finalised (Attorney General's Chambers/MCTI)
- Review and amend all investment-related legislation to ensure alignment with draft revised Investment Act when it is finalised (Attorney General's Chambers/MCTI)
- Streamline procedures and set clear approval criteria and time-based targets for immigration procedures (MHA)

**Infrastructure**

- Liberalise the international telecommunications gateway (MCT)
- Monitor the commercialisation of ZESCO (MEWD)
- Review energy policy and create more competition (MEWD)
- Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads (MCT/MWS/MLGH)
- Introduce Municipal Housing Bonds (MLGH/ MoFNP)
- Provide incentives to financial institutions involved in housing development (MLGH/ MoFNP)

**However, the majority of activities are new and may need technical support/ resources for detailed design and implementation (continued)**

**Proposed new activities (continued)**

**Business facilitation & economic diversification**

***Business facilitation***

- Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and information provision with sanctions applied for non-delivery (MCTI)
- Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time (MCTI)
- Review for rationalisation the relevant legislation to support the rationalised licenses (MCTI)
- Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) to facilitate investment (MCTI)
- Rationalise and consolidate licenses required to operationalise tourism enterprises (MTENR)
- Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (MTENR/ECZ)

**Proposed new activities (continued)**

**Business facilitation & economic diversification (continued)**

***Economic diversification: Tourism***

- Set up Inter-Ministerial Committee on tourism (MTENR)
- Promote domestic tourism (ZNTB)
- Allow airline operators to lift fuel directly from Indeni / source (MTENR)
- Improve infrastructure to facilitate access to tourism products (MTENR and all infrastructure ministries + MOFNP)
- Reclassify tourism as a non-traditional export so as to be taxed at 15% (MTENR)

***Economic diversification: Gemstones***

- Update the fiscal/regulatory regime (MMMD)
- Develop strategy for expanding the industry, formalise the gemstone sector including provision of funds to small scale miners (MMMD)
- Resolve issues relating to development agreements (MMMD)

***Economic diversification: Agriculture***

- Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards (MACO)

***Economic diversification: Manufacturing***

- Proactively promote strategic investments with potential to stimulate development of local satellite manufacturing industries (MCTI)
- Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors (MCTI)
- Revive tertiary / artisan skills training (Min of Science & Technology )

**However, the majority of activities are new and may need technical support/ resources for detailed design and implementation (continued)**

**Proposed new activities (continued)**

**Trade expansion**

- Develop a national export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy (MCTI)
- Enhance capacity of trade & investment promotion officers in missions abroad (MCTI)
- Establishment of liaison offices to facilitate trade activities at priority border points (EBZ)
- Review and update EPZ strategy and business plan and revise/finalise EPZ legislation and incentives accordingly (MCTI)
- Strengthen capacity in MACO to provide SPS services for export of fresh horticultural / floriculture products, livestock and aquaculture products and enhance capacity for disease eradication/control (MACO)

**Local empowerment**

- Negotiate with cooperating partners for mechanisms that will favour the participation and build capacity of local firms through tendering for donor funded projects (MCTI)
- Develop preferred procurement policy for local businesses in tendering for government contracts (MCTI)
- Review existing support to and develop strategy for MSMEs development (MCTI)
- Develop incentives for voluntary migration from informal to formal e.g. South African Close Corporation Model programme (MCTI)



**To facilitate mobilisation of technical support/resources from donors, the new activities can be grouped into those of a policy nature and “stand-alone” projects**

**Activities of a policy nature can be handled through existing government policy procedures, and may only require limited, if any, technical/financial support from development partners**

**Policy environment & institutions**

- Ensure delineation of responsibilities between BOZ and MoFNP (MoFNP/Parliament)
- Review the Committee of Estimates Report of 2001 with a view to implementing the recommendations (MoFNP/Parliament)

**Regulations & laws**

- Review and amend all investment-related legislation to ensure alignment with draft revised Investment Act when it is finalised (Attorney General's Chambers/MCTI)

**Infrastructure**

- Liberalise the international telecommunications gateway (MCT)
- Review energy policy and create more competition (MEWD)
- Implement recommendations of the 2002 Transport Policy and subsequent enabling legislation for the trunk, main and district roads, and improve construction of urban and feeder roads (MCT/MWS/MLGH)
- Provide incentives to financial institutions involved in housing development (MLGH/ MoFNP)

**Business facilitation & economic diversification**

***Economic diversification: Tourism***

- Set up Inter-Ministerial Committee on tourism (MTENR)
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***Economic diversification: Gemstones***

- Update the fiscal/regulatory regime (MMMD)
- Resolve issues relating to development agreements (MMMD)

***Economic diversification: Manufacturing***

- Devise a development agreement that will ensure no duty is paid on capital equipment and raw materials for manufacturers and agro-processors (MCTI)

**In contrast, the “stand-alone” activities form the basis for a “menu” of defined projects that development partners could select for specific project support**

**“Menu” of specific new projects for development partners to select from (Menu A1 to D6)**

**A. Policy environment & institutions**

1. Ensure implementation of the FSDP by appointing a committee to oversee its implementation (BOZ)
2. Establish the credit reference bureau as called for in the FSDP (BOZ)
3. Formalise quarterly meetings of the Domestic Business Council as the vehicle for public/private dialogue on PSD (MCTI)

**B. Regulations & laws**

1. Form review committee (including private sector) and review contradictions between Investment Act and related legislation once draft revised Investment Act is finalised (Attorney General’s Chambers/MCTI)
2. Streamline procedures and set clear approval criteria and time-based targets for immigration procedures (MHA)

**C. Infrastructure**

1. Monitor the commercialisation of ZESCO (MEWD)
2. Introduce Municipal Housing Bonds (MLGH/ MoFNP)

**D. Business facilitation & economic diversification**

***Business facilitation***

1. Review, rationalise and simplify all registration and licensing/ inspection procedures and set service delivery standards with clear allocation of responsibilities and information provision with sanctions applied for non-delivery (MCTI)
2. Implement procedures needed to ensure that licenses or permits will be deemed to have been granted if there is lack of response within a specified period of time (MCTI)
3. Review for rationalisation the relevant legislation to support the rationalised licenses (MCTI)
4. Establish First Stop Shop (Zambia Development Agency, encompassing ZIC, EBZ, ZPA, ZEPZA, ZNTB) to facilitate investment (MCTI)
5. Rationalise and consolidate licenses required to operationalise tourism enterprises (MTENR)
6. Rationalise with other laws as necessary and streamline environmental assessment procedures and fees while preserving essential protections (MTENR/ECZ)

**In contrast, the “stand-alone” activities form the basis for a “menu” of defined projects that development partners could select for specific project support (cont.)**

**“Menu” of specific new projects for development partners to select from (Menu D7 to D14)**

**D. Business facilitation & economic diversification**

***Economic diversification: Tourism***

- 7. Promote domestic tourism (ZNTB)
- 8. Improve infrastructure to facilitate access to tourism products (MTENR and all infrastructure ministries + MOFNP)

***Economic diversification: Gemstones***

- 9. Develop strategy for expanding the industry, formalise the gemstone sector including provision of funds to small scale miners (MMMD)
- 10. Resolve issues relating to development agreements (MMMD)

***Economic diversification: Agriculture***

- 11. Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards (MACO)

***Economic diversification: Manufacturing***

- 12. Develop the livestock sector through a dedicated project which will include components dealing with quantity, quality and disease control in order to meet export standards (MACO)
- 13. Proactively promote strategic investments with potential to stimulate development of local satellite manufacturing industries (MCTI)
- 14. Revive tertiary / artisan skills training (Min of Science & Technology )

**In contrast, the “stand-alone” activities form the basis for a “menu” of defined projects that development partners could select for specific project support (cont.)**

**“Menu” of specific new projects for development partners to select from (Menu E1 to F4)**

**E. Trade expansion**

1. Develop a national export trade strategy, mainstreaming trade policy and placing export strategy/promotion/diversification at the center of national development policy (MCTI)
2. Enhance capacity of trade & investment promotion officers in missions abroad (MCTI)
3. Establishment of liaison offices to facilitate trade activities at priority border points (EBZ)
4. Review and update EPZ strategy and business plan and revise/finalise EPZ legislation and incentives accordingly (MCTI)
5. Strengthen capacity in MACO to provide SPS services for export of fresh horticultural / floriculture products, livestock and aquaculture products and enhance capacity for disease eradication/control (MACO)

**F. Local empowerment**

1. Negotiate with cooperating partners for mechanisms that will favour the participation and build capacity of local firms through tendering for donor funded projects (MCTI)
2. Develop preferred procurement policy for local businesses in tendering for government contracts (MCTI)
3. Review existing support to and develop strategy for MSMEs development (MCTI)
4. Develop incentives for voluntary migration from informal to formal e.g. South African Close Corporation Model programme (MCTI)

**In addition, the PSD Forum raised four cross-cutting issues affecting PSD, for which various initiatives are already underway**



**1. HIV/AIDS issues**

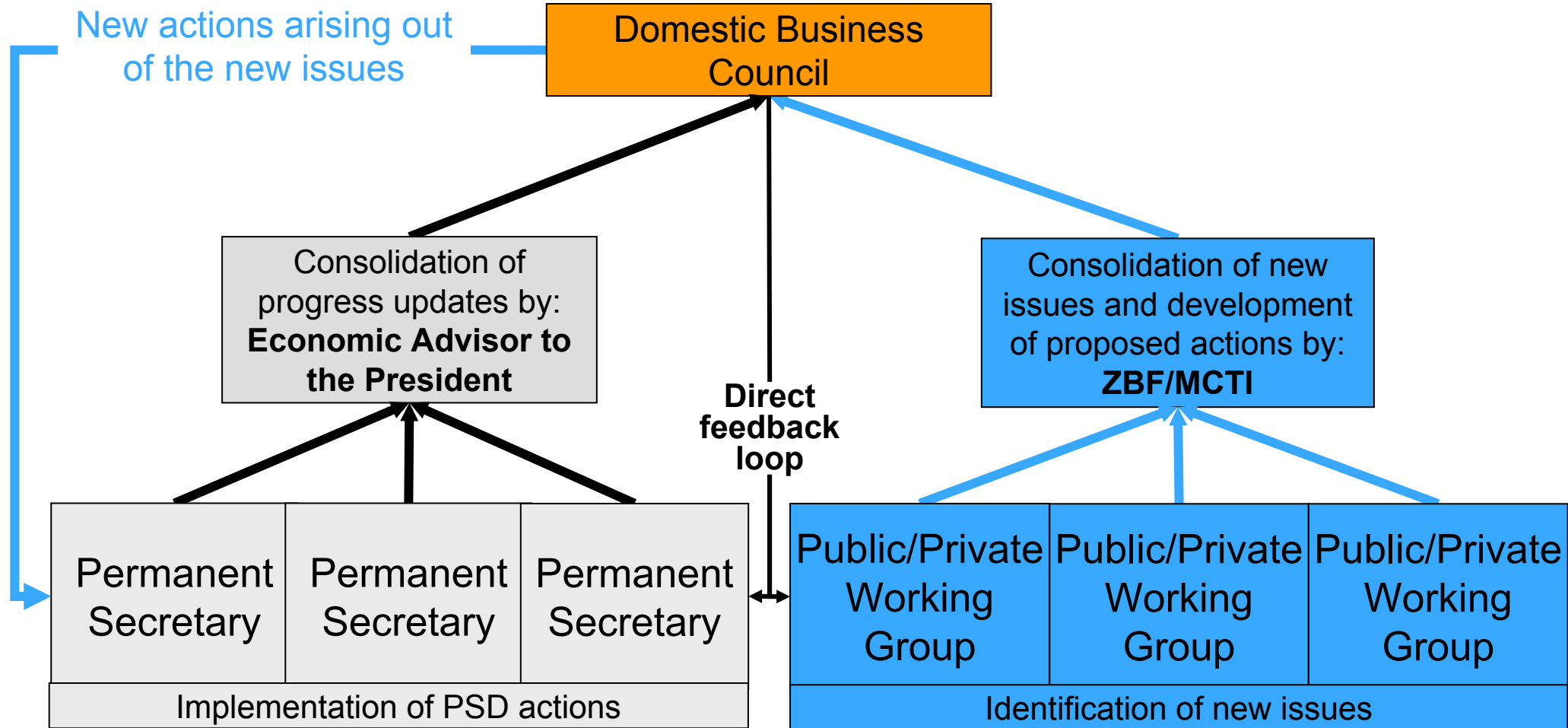
**2. Gender issues**

**3. Environmental issues**

**4. Financial sector reform and the deepening of financial services (being addressed in parallel to the PSD reform programme through the Financial Sector Development Programme)**

## PSD reform implementation framework

Implementation of the PSD Action Plan should be “mainstreamed” in relevant ministries, emphasise public/private dialogue, and be monitored at a high level



## PSD reform implementation framework continued

In addition to mainstreaming implementation through ministries, the framework also provides for a parallel process for on going identification of new issues

### Domestic Business Council

Recommends corrective/preventive measures for feedback to implementing ministries to ensure adherence to work plans (based on regular presentations of progress updates by the Economic Advisor to the President), and approves new actions for ministries to implement (based on presentations of new issues by ZBF/MCTI)

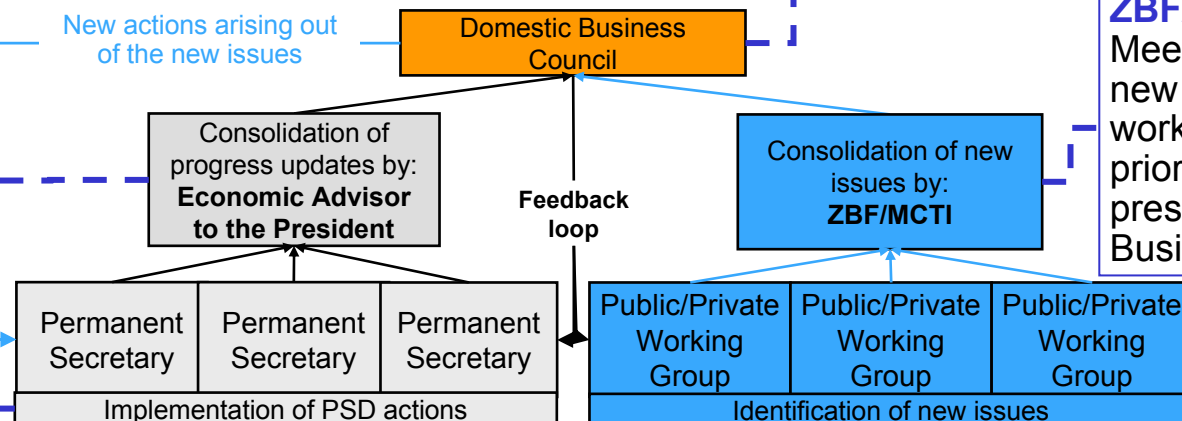
### Economic Advisor to the President

Receives progress updates from PS's and consolidates summaries to present to Domestic Business Council

### ZBF/MCTI

Meet regularly to review new issues submitted by working groups and prioritise issues for presentation to Domestic Business Council

New actions arising out of the new issues



### Public/Private Working Groups

- Can be permanent or ad hoc working groups dealing with sectoral issues (e.g., infrastructure), functional issues (e.g., trade), or thematic issues (e.g., local empowerment)
- Identify new issues arising in respective areas and present the issues and outline action plans to ZBF/MCTI

### Permanent Secretaries

- Develop detailed work plans and supervise implementation of actions for which lead implementation responsibilities were allocated to the respective ministry in the PSD Reform Action Plan and/or for which new actions have arisen as a result of new issues
- Submits period progress updates to the Economic Advisor to the President

**The framework has the necessary features for effective implementation; however requirements will need to be met to operationalise this approach**

### **Special features**

- ✓ Accountability for implementation vested in implementing ministries through mainstreaming
- ✓ Joint public/private sector issues identification and action planning assured through the working groups
- ✓ High-level responsibility for PSD reform supervision and guidance shared by public and private sector through the Domestic Business Council reporting mechanism
- ✓ Corrective measures assured through the direct feedback loop to implementing ministries during Domestic Business Council meetings
- ✓ Transparency provided through the neutral progress monitoring and evaluation function of the Economic Advisor to the President

### **Operationalisation requirements**

- ✗ Resources will be required to strengthen capacity in the office of the Economic Advisor to the President for effective formatting, data collection and consolidation of progress reports
- ✗ Technical assistance and/or funding support will be required to ensure effective functioning of the public/private sector working groups
- ✗ Clarification will be required with regard to the composition of the Domestic Business Council (note: based on experience in other countries, international participation/insights would be a desirable feature of the Domestic Business Council)



## PSD reform preconditions

The preconditions for PSD reform are a shared vision, a common voice, and a demonstrated commitment to delivery

### PSD Reform Objective

Lay the foundation for faster, sustained and private-sector led economic growth by implementing a comprehensive action plan for enhancing the business and investment climate

### Preconditions for successful implementation of PSD Reform Action Plan

A widely shared vision of private-sector led economic growth and poverty alleviation

An effective and balanced platform for public/private dialogue and joint action planning

A common voice and a consistent message in all public pronouncements on PSD

A demonstrated commitment to delivering on the PSD Reform Action Plan

### Result

Improved investment climate and investor confidence

### Benefit

Accelerated economic growth and poverty reduction